



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: August 12, 2024

IBA Report Number: 24-22

FISCAL IMPACT STATEMENT FOR CITY MEASURE ON NOVEMBER 5, 2024 BALLOT: MEASURE E- CITY OF SAN DIEGO SALES TAX

This measure would increase the transactions and use tax, commonly known as "sales tax," within the City of San Diego (City) by 1 cent on each dollar subject to sales tax once operative on April 1, 2025. Currently, the sales tax rate in the City is 7.75%, of which the City receives 1.00% (equal to 1 cent on each dollar of taxable sales) and the remainder is allocated among other local and state entities. Under the measure, the sales tax rate in the City would increase to 8.75%, of which the City would generally receive 2.00% (equal to 2 cents on each dollar of taxable sales).

If this measure passes, the City would receive estimated additional revenue ranging between \$360 million (conservative), and \$400 million or more (optimistic) in the first year of implementation. This new revenue stream range is based on current economic assumptions, consumer behavior, and tax law and it is anticipated to grow moderately in future years. Future annual revenue would vary based on actual sales activity, economic conditions, and changes to tax law.

All revenue collected under the measure would be available for unrestricted general purposes and deposited into the City's General Fund. The City anticipates using funds to support new and existing infrastructure, such as streets, sidewalks, streetlights, flood prevention and water quality systems. These funds are also anticipated to help address the City's significant infrastructure backlog, which will continue to grow at an increasing rate, with higher costs expected in the future if not addressed. Revenue would also support operating costs, including but not limited to public safety and emergency response, such as police, fire, paramedic, and 9-1-1 response services; neighborhood services, such as libraries and parks; and internal support services, such as finance, legal, and human resources.

If this measure does not pass, the City would not receive the additional revenue noted above. The City is currently operating with an approximately \$200 million structural budget deficit, whereby ongoing costs exceed existing ongoing revenues. To balance the current year's budget, the City took several budget mitigation actions to generate additional one-time funds and/or temporarily reduce expenses. When those actions expire after this fiscal year, the City will lack the ongoing funds needed to support its current operations and will continue to be unable to address its

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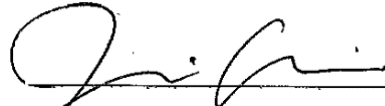
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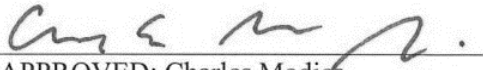
infrastructure backlog. Balancing future budgets would require the City to make more severe and permanent operational cuts, while the City's infrastructure backlog would continue to grow.



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